

ORIGINAL NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION OF THE
ARIZONA ELECTRIC POWER COOPERATIVE,
INC. FOR A TEMPORARY TARIFF RIDER

Docket No. E-01773A-14-0379

APPLICATION

Pursuant to A.R.S. § 40-374, the Arizona Electric Power Cooperative, Inc. ("AEPCO" or the "Company") in support of its Application states as follows:

1. AEPCO is an Arizona not-for-profit electric generation cooperative which supplies all or most of the power and energy requirements of its six Class A member distribution cooperatives, five of which are located in Arizona.

2. For the reasons discussed herein, AEPCO requests Commission authorization to implement a temporary tariff rider to return to its members approximately \$7.8 million in reparations for unit train coal transportation costs the Company paid in 2009, 2010 and 2011.

3. In 2008, AEPCO filed a complaint with the Surface Transportation Board (the "STB") challenging the reasonableness of the rates established by BNSF Railway Company and Union Pacific Railroad Company (collectively, the "Railroads"). AEPCO's complaint requested that the STB prescribe reasonable rates and order reparations for past overcharges for coal transportation.

4. The STB issued its Decision No. 41181 (the "STB Decision") in November 2011 in favor of AEPCO. The STB Decision established new, lower rail rates and awarded approximately \$9.2 million, plus statutory interest, in reparations for excessive rail charges

1 incurred from 2009 through 2011. The Railroads appealed the STB Decision to the District of
2 Columbia Circuit Court of Appeals. That appeal was resolved in favor of AEPCO in May 2014.
3 The Railroads declined to seek rehearing, resulting in a final mandate and termination of the
4 litigation in July 2014.

5 5. As a result of the STB Decision, AEPCO received reparations from the Railroads
6 in the total amount of \$9,245,393.15.

7 6. During the years in which AEPCO paid the excessive rail charges, the Company
8 had in place Firm Power Sale Agreements (the "Agreements") with Salt River Project
9 Agricultural Improvement and Power District ("SRP") and Electrical District No. 2 Pinal County
10 ("ED2"). Accordingly, the Company's monthly energy charges to both SRP and ED2 included
11 the rail transportation costs as a component of the cost of coal. Pursuant to the Agreements, the
12 amounts due SRP and ED2 as a result of the STB Decision are \$1,228,194.93 and \$202,735.82,
13 respectively.

14 7. After accounting for the amounts owed SRP and ED2, the remaining reparations
15 total \$7,814,462.40. Exhibit 1 hereto shows the allocation of this amount among the Company's
16 six Class A members based on each member's usage of AEPCO's coal-fired generation during
17 the relevant timeframe.¹

18 8. AEPCO's Board of Directors recently considered and approved a proposal to
19 return to each member its share of the reparations over a 24-month period. The amount of each
20 member's monthly refund is calculated in Exhibit 1.

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24 ¹ The calculations in Exhibit 1 incorporate 2012 average coal costs because those costs were partially based on coal
inventory from prior years and, as a result, included the excessive rail transportation costs.

9. Therefore, AEPCO requests that the Commission approve a temporary tariff rider that will apply the appropriate reparation refund credit to each member's monthly invoice. A copy of the proposed rider – Temporary Tariff Rider No. 1 – is attached hereto as Exhibit 2.

10. In order to expeditiously pass along the benefits of the STB Decision to its members and their customers, AEPCO requests that this Application be processed for consideration at the Commission's December 2014 Open Meeting.

WHEREFORE, having fully stated its Application, AEPCO requests that the Commission enter its Order authorizing AEPCO to implement a temporary tariff rider as described herein as well as any other and further relief the Commission deems just and appropriate.

RESPECTFULLY SUBMITTED this 31st day of October, 2014.

GALLAGHER & KENNEDY, P.A.

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**Original and 13 copies filed this
31st day of October, 2014, with:**

Docket Control
Arizona Corporation Commission
1200 West Washington Street
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1 **Two copies** of the foregoing delivered
this 31st day of October, 2014, to:

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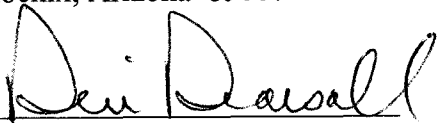
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EXHIBIT 1

Arizona Electric Power Cooperative, Inc.

Allocation of Member STB Decision Reparations by Member Calendar Years 2009, 2010, 2011 & 2012

Description	Net		Net		Net		Net		Monthly Refund Over Two Years
	Reparations CY 2009	Reparations CY 2010	Reparations CY 2011	Reparations CY 2012 (1)	Reparations Total	Reparations Total	Reparations Total	Reparations Total	
Anza	\$ 44,267.29	\$ 53,011.17	\$ 59,927.21	\$ 21,203.00	\$ 178,408.67	\$ 178,408.67	\$ 178,408.67	\$ 178,408.67	\$7,433.69
Duncan	25,238.44	29,148.32	34,002.34	\$11,985.11	\$100,374.22	\$100,374.22	\$100,374.22	\$100,374.22	\$4,182.26
Graham	147,293.15	169,313.73	198,280.42	\$70,164.35	\$585,051.65	\$585,051.65	\$585,051.65	\$585,051.65	\$24,377.15
Mohave	582,028.17	701,215.40	881,612.39	\$270,166.50	\$2,435,022.46	\$2,435,022.46	\$2,435,022.46	\$2,435,022.46	\$101,459.27
Sulphur Springs	555,985.23	668,158.80	888,153.32	\$284,257.83	\$2,396,555.18	\$2,396,555.18	\$2,396,555.18	\$2,396,555.18	\$99,856.47
Trico	589,513.60	693,551.92	610,116.31	\$225,868.40	\$2,119,050.23	\$2,119,050.23	\$2,119,050.23	\$2,119,050.23	\$88,293.76
Total	\$1,944,325.88	\$2,314,399.34	\$2,672,091.99	\$883,645.19	\$7,814,462.40	\$7,814,462.40	\$7,814,462.40	\$7,814,462.40	\$325,602.60

(1) STB Reparations stockpile portion and interest allocated on the basis of Member 2012 Coal Generation Percentages.

EXHIBIT 2

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

TEMPORARY TARIFF RIDER NO. 1

TEMPORARY

Effective Date: January 1, 2015

APPLICABILITY

Applicable to the Company's Class A members as follows:

Partial Requirements Members:

Mohave Electric Cooperative, Inc.
Sulphur Springs Valley Electric Cooperative, Inc.
Trico Electric Cooperative, Inc.

Collective All-Requirements Members:

Anza Electric Cooperative, Inc.
Duncan Valley Electric Cooperative, Inc.
Graham County Electric Cooperative, Inc.

RATE

Pursuant to Arizona Corporation Commission Decision No. TBD, the customer monthly bill shall consist of the applicable charges and adjustments as set forth in the Partial-Requirements Schedule of Rates and Fixed Charge and as set forth in the Company's Tariff for its collective all-requirements Class A members ("CARM"). In addition, the monthly bill will include an applicable Rider No. 1 credit as follows:

Partial Requirements Members:

Mohave Electric Cooperative, Inc. - (\$101,459.27)/mo.
Sulphur Springs Valley Electric Cooperative, Inc. - (\$99,856.47)/mo.
Trico Electric Cooperative, Inc. - (\$88,293.76)/mo.

Collective All-Requirements Members:

Anza Electric Cooperative, Inc. - (\$7,433.69)/mo.
Duncan Valley Electric Cooperative, Inc. - (\$4,182.26)/mo.
Graham County Electric Cooperative, Inc. - (\$24,377.15)/mo.

This temporary credit shall remain in effect for a period of twenty-four (24) months beginning with the effective date specified herein.